

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Real Estate – Title Holding on
CalSTRS Real Estate

ITEM NUMBER: 7

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: November, 8, 2000

INFORMATION: X

PRESENTER(S): Mike DiRé

The Real Estate Investment Staff and Legal Staff have conducted a review of how CalSTRS holds title on its real estate investments. CalSTRS currently holds title directly in our own name. The primary advantage of direct ownership is its simplicity and convenience. The primary disadvantages are 1) Extended liability for loss over and above the value of any single asset; and 2) Lack of anonymity of ownership.

An alternative form of ownership employed by many institutional investors is to hold assets indirectly in a limited liability company ("LLC") or corporation. This method if managed correctly limits the liability to the assets held in the LLC and gives the owner a level of anonymity if desired. The primary disadvantage is the time and cost of initializing and managing the ownership entity.

With the assistance of Pension Consulting Alliance and Cox, Castle & Nicholson LLP (reports attached), Staff recommends that all future purchases be held in LLC's or corporate entities. Existing assets will be selectively transferred into LLC's depending on the expected holding period. In order to mitigate the time and cost of administration, staff will work with the advisors to include this as part of their contracted services.

Note: Attachments 1 and 2 are not available in electronic format at this time.

Survey of Advisors: How other clients hold title to real estate assets.

<u>Advisor</u>	<u>Total Number of Public Pension Fund Clients</u>	<u>Number of Public Pension Funds by Real Estate Ownership Structure</u>			
		<u>Direct Ownership</u>	<u>Limited Liability Company</u>	<u>Corporation</u>	<u>Other</u>
Lowe Enterprises Investment Management, Inc.	7	0	2	5	
SSR Realty Advisors, Inc.	4	0	3	1	
CB Richard Ellis Investors, LLC	5	1	2	2	
MIG II Realty Advisors, Inc.	6	2	2	2	
Heitman Capital Management, LLC	7	0	0	7	
Clarion, LLC	10	NA	10	NA	
Lend Lease Real Estate Investment Inc.	16	2	3	11	
Sentinel Realty Advisors Corporation	6	1	0	5	
Total	61	6	22	33	

Notes

Lend Lease is an estimation. Several of the Funds have different entities, some with a corporation holding title and others with an LLC.